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Sweden

Solid Wood Products

Annual

2002

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Report Highlights:
Sweden sees the largest potential for export growth to be in the Asian markets, where consumption of forest products is relatively low, but rising faster than in other markets. In 2001, exports to non-European markets continued to increase and accounted for 21 percent of total sawn timber exports. Swedish exports to Japan increased by 1 percent to 659,000 cum and to the U.S. by 76 percent to 308,000 cum.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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EXECUTIVE SUMMARY

Sweden is one of the most heavily forested countries in the world. Almost 70 percent of the total land area is covered with forests. The raw material base of 22.6 million hectares of productive forest land consists mainly of softwood species. Total stocks of timber are estimated at 2,850 million cum, annual growth at 101 million cum and annual fellings average 76.2 million cum.
Sweden is a major softwood lumber producer, supplying the European market with about 30 percent of its demand. In 2001, a total of 15.6 million cum of sawn timber was produced, 2 percent less than in 2000. In recent years, Sweden has also increased its share of the Japanese market, thus competing with Finnish and U.S. softwood lumber. Sweden's main forest industry product, however, is pulp. In 2001, pulp production amounted to 11.0 millions tons. The production of paper amounted to 10.5 million tons, including newspaper print, fine paper and board.

The total value of forestry exports in 2001 amounted to SEK 109.2 billion (USD 10.6 billion), compared to SEK 106.7 billion (USD 11.6 billion) in 2000. Imports of forest products amounted to SEK 20.9 billion (USD 2.0 billion). The forest sector share amounted to 14 percent of Sweden's total exports, and around 3 percent of Sweden's total imports.

Sweden sees the largest potential for growth to be in the Asian markets, where consumption of forest products is lower than in other markets, but rising faster. In 2001, exports to non-European markets continued to increase and accounted for 21 percent of total sawn timber exports. Swedish exports to Japan increased by 1 percent to 659,000 cum and to the U.S. by 76 percent to 308,000 cum.

Rates of exchange used in this report are:
CY 2000: USD 1 equals SEK 9.18
CY 2001: USD 1 equals SEK 10.33

PRODUCTION

Forest Situation/Outlook

Virtually all forests in Sweden are re-growth. Small areas of virgin forests are protected in national parks and nature reserves. The raw material base of 22.6 million hectares of productive forest land consists mainly of softwood species. Total stocks of timber are estimated at 2,850 million cum, annual growth is estimated at 101 million cum and annual fellings average 76.2 million cum. There is a potential for annual fellings to increase by about 20 million cum. The composition of the present forests with few species and uneven age distribution make imports a necessity.

51 percent of Sweden's forest area is privately owned, 40 percent is company- owned, and 9 percent is government-owned (including national parks and reserves). The majority of private forest owners are members of regional associations of forest owners, many of which own sawmills, processing, pulp

mills and bioenergy plants. These regional associations are organized as a forest delegation within the Swedish Farmers Federation (LRF).

The Swedish government decided in the early 90's that no subsidies would be made available to the commercial side of the Swedish forest industry. This reflected the GOS view that subsidies would be destructive to an industry whose ongoing operations and future development relied heavily on a strongly competitive international market. When Sweden joined the EU in 1995, it had to adopt Council Regulation (EEC) No. 867/90. However, due to the requirement that the GOS cofinance 50 percent of the subsidy, only a small amounts of EU subsidies have actually been paid to Swedish forest owners.

The only government assistance during the last seven-year period has been to forest owners of select valuable varieties of trees. This category includes indigenous tree species of elm, ash, hornbeam, beech, oak, wild cherry, linden/lime and maple. Government assistance has been granted to compensate farmers for the loss of harvest income while trees of these species mature. These trees generally take 200 years to mature— about twice as long as pine and spruce. Such subsidies amount to about SEK 18 million per year (USD 2.0 million) and are applied to an area covering about 1 percent of Sweden's productive forests.

The most recent Forestry Act was effected on January 1, 1994. It outlines strict forestry practices, which must be adhered to by all forest owners at their own expense. The main provisions of the Act include requirements that: regeneration must be made after final felling and/or severe damage to the stand; forest owners must inform forest authorities about planned final felling and how nature conservation and historical aspects are to be taken into consideration at the felling sites; insect damage must be prevented through proper management practices; and nature conservation and historical aspects must be integrated into all kinds of forest management operations.

Nature conservation agreements between forest owners and the government have been established to protect and develop nature in certain areas. In the period January 1, 1994 through December 31, 2001, land owners were compensated a total of SEK 25.9 million (USD 2.8 million) under a total of 670 individual nature conservation agreements. During the same period, 2,166 protected forest habitats or key biotypes were established for which forest owners have been compensated SEK257 million (USD 28 million). There is no formal felling ban on key biotypes, but there is great pressure on owners not to disturb them.

There are no special environmental requirements for wood processors, however any industry discharges or emission releases must comply with strict municipal requirements. The major forest companies now publish annual environmental reports in addition to their annual reports.

Solid Wood Products Situation/Outlook

Sweden is, together with Germany, the largest producer of sawn softwood in Europe. Almost all of the timber sawn is pine or spruce. Only very small quantities of birch are sawn. In 2001, 15.6 million cum of sawn timber was produced, 2 percent less than in 2000. The drop in production is explained by the slowdown in economic growth world, which, in turn, has created a slowdown in the construction industry on Sweden's key export markets. However, relatively low production in competitor countries and the weakness of the Swedish krona helped up the Swedish competitive position. In 2002, production is expected to increase about 2-3 percent due to the economic recovery. In 2003, production is expected to increase further by 2 percent

Swedish Industry Mills and Production Units

Paper	**2000**	**2001**
Number of units	48	48
Total capacity, million tons	11.1	11.2
Production, million tons	10.8	10.5
Exports, million tons	8.49	8.7
Export value, SEK billion	56.8	60.7
Pulp	**2000**	**2001**
Number of mills	45	45
Total capacity, million tons	11.7	11.2
Production, million tons	11.5	11.0
Exports, million tons	3.1	3.0
Export value, SEK billion	16.0	14.7
Lumber	**2000**	**2001**
Number of sawmills	1925	1875
Production, million cum	14.8	15.6
Exports, million cum	11.0	10.9
Export value, SEK billion	18.5	19.0

In addition to the units included in the above table, there are four companies producing plywood with a total capacity of 150,000 cum, two companies producing particle boards, with a total capacity of 750,000 cum, and two companies producing fiber boards with a total capacity of 285,000 cum. Production in 2001 amounted to 106,000 cum of plywood, 584,000 cum of particle boards, and 189,000 cum of fiber board. The re-structuring into larger units is continuing. Of a total of 1,875 sawmills, about 100 now account for 80 percent of total production.

Glulam production in Sweden is very limited and only a few sawmills produce this product. However, there seems to be an increasing interest in glulam on the Swedish market. The Swedish glulam industry is studying the North American example for using glulam in house construction as a cheaper alternative to conventional products. Sweden increased its export of glulam by about 35 percent in 2001 to 68 thousand tons. Exports mainly go to Japan, Germany, Norway and the United Kingdom. Imports amounted to almost 3 thousand tons, most of which originated in Latvia, Norway and Estonia.

The forest industry is highly integrated. The four major companies, i.e., StoraEnso, SCA, Holmen and Assidoman, own both forests and processing industries. Private forest owners cooperate through associations which either process timber themselves or sell large quantities to processing companies.

The Nordic countries are working together on a strategy aimed at helping the sawmilling industry to structure their work in a way that contributes to an increased demand for solid wood products. The strategy work is based on the reports "Global Drivers and Megatrends in the Wood Products Industry to Year 2010" and "Solid Wood Products Threats and Possibilities".

TRADE

Overview/Outlook

The EU remains the most important market for Sweden’s forestry products. Within the EU, the UK, Denmark, and Germany are leading customers. However, Sweden sees the largest potential for growth to be in the Asian markets, where consumption of forest products is relatively low, but rising faster than in other markets. The Swedish industry sees huge potential for growth in the Chinese market. Actual exports to China are still very small, about 9,500 cum, but are expected increase in a few years. In 2001, exports to non-European markets continued to increase and accounted for 21 percent of total sawn timber exports. Swedish exports to Japan increased by 1 percent to 659,000 cum and to the U.S. by 76 percent to 308,000 cum. Exports in 2002 are expected to increase by about 3 percent due to the economic recovery and the improving trend in house construction.

Due to high domestic prices, the Swedish industry imports a large amount of raw material from Russia and the Baltic states. This material is processed in Sweden and exported to, among other countries, the U.S. at competetive prices. Swedish sawmills also produce more highly finished materials for both the domestic and export markets. Major competitors are Finland, Austria and Canada. Competition in the European market from Latvia and Estonia continues to increase.

Russia, Latvia and Estonia are the main suppliers of total raw material imports. Total imports of forest products to Sweden amounted to SEK 20.9 billion (USD 2.0 billion) in 2001. The value of imports originated in the U.S. amounts to about 4% of total value (mainly hardwood lumber).

Competition

Sweden is competing in the European market with Finland, Canada, the U.S., the Baltics and Russia. Competition from the Baltics and Russia has increased substanitally during recent years. As mentioned earlier in this report, there are no significant government subsidies allocated for forestry and forestry products in the Swedish annual budget. The major companies invest in promotional efforts to meet competition from other countries. Globalization of the forest industry is a fact. The four major forest companies in Sweden all have large holdings in other countries.

The Nordic Timber Council (NTC), which has its head office in Stockholm, is the joint promotional association for Swedish, Finnish and Norwegian lumber producers. The Council has offices in Spain, the United Kingdom, France and the Netherlands. NTC’s principal project is the Timber 2000 project, carried out together with the industry and trade in the United Kingdom. USD 7.26 million is funded for the project, out of which USD 1.2 million is provided by the British industry. NTC sees great potential in the Chinese market. As mentioned previously, actual exports to China are still very small. At this stage, NTC is trying to influence the Chinese industry to use wood in large scale construction.

The discussion of the certification that forestry products were produced according to environmentally sustainable standards, led in 1996 to the launching of a joint Nordic forestry certification project participated in by Sweden, Norway and Finland. This project aims to achieve like standards and like market recognition for certified forestry in all three countries.

Within Sweden there has been an ongoing debate on which system to adopt. The Swedish forest industries decided in 1998 to adopt the FSC (Forest Stewardship Council) system. The Forest Owners Association strongly opposed this decision and announced their decision to continue to work to find a Family Forestry Certification (FFC) system suitable for small forest owners as opposed to the FSC, which is geared towards large-scale forestry. The Forest Owners’ Association has believed that both systems can be used on the market at the same time and that there is need for both of them. The large companies maintain, however, that there should be only one system in Sweden, and that system should be the FSC. Both systems are well-established in the country, which makes Sweden rather unique. However, the ongoing negotiations concerning mutual recognition of systems were finalized in December, 2001, when the two certifying organizations, together with two environmental organizations, presented the mutually agreed document called "Skogsduvan" (the stock-dove) on ways in which to harmonize the two systems. In January, 2002, the Swedish PEFC approved "Skogsduvan." The next step is to get the document approved by the European PEFC.

The EU Pan-European Forest Certification (PEFC), which aims to establish an internationally recognized framework for certification applicable to small-scale forestry, encompasses both the FFC and the FSC. There are now 17 European countries which have subscribed to the PEFC.

STATISTICAL SECTION

Strategic Indicator Table: Forest Area (million hectares/million cum)

STRATEGIC INDICATOR TABLE: FOREST AREA (million hectares/million cum)			
SWEDEN	Previous	Current	Following
2001	Calendar Year	Calendar Year	Calendar Year
Total Land Area	41.1	41.1	41.1
Total Forest Area	28.2	28.2	28.2
--of which, Commercial	22.6	22.6	22.6
----of commercial, tropical hardwood	0	0	0
----of commercial, temperate hardwood	2.6	2.6	2.6
----of commercial, softwood	20	20	20
--of forest area, non-commercial	5.6	5.6	5.6
Forest Type	spruce, pine, broadleaved (mainly birch)		
--Of which, virgin	0	0	0
--Of which, plantation	19.5	19.5	19.5
--Of which, other commercial (regrowth)	8.7	8.7	8.7
Forest Ownership	Private, company, national		
--Nationally owned and no commercial access	4.3	4.3	4.3
--Nationally owned, commercial logging permitted	3.6	3.6	3.6
--Other publicly owned land, no commercial access	1.3	1.3	1.3
--Other publicly owned, logging permitted	7.5	7.5	7.5
--privately owned commercial forest	11.5	11.5	11.5
Total Volume of Standing Timber	2,850	2,850	2,855
--Of which, Commercial Timber	2,600	2,600	2,650
Annual Timber Removal 1/	76.2	76.2	76
Annual Timber Growth Rate	100	101.3	95
Annual Allowable Cut	95	95	95

Strategic Indicator Table: Forest Product Tariffs and Taxes (percent)

		Tariff	Tariff	Other
SWEDEN	Product	Current	Following	Import
2001	Description	Year	Year	Taxes/Fees
4401	Fuel wood	0	n/a	SEK 0.10/CUM for phytosanitary control, minimum SEK 20 per shipment
4403	Logs, rough	0	n/a	SEK 0.10/CUM for phytosanitary control, minimum SEK 20 per shipment
4404	Wood roughly squared	0	n/a	SEK 0.10/CUM for phytosanitary control, minimum SEK 20 per shipment
4405	Wood wool	0	n/a	
4406	Railway sleepers	0	n/a	SEK 0.10/CUM for phytosanitary control, minimum SEK 20 per shipment
4407	Lumber	0 2.5	n/a	SEK 0.10/CUM for phytosanitary control, minimum SEK 20 per shipment
4408	Veneer	0 6	n/a	
4409	Wood, planed, etc.	0	n/a	
4410	Particle boards	7	n/a	
4411	Fiber boards	7	n/a	
4412	Plywood	6 10	n/a	There is a 0 tariff up to a quota of 650,000 CUM
4413	Wooden Beadings	0	n/a	
4414	Wooden picture frames	2.5	n/a	
4415	Wooden packing cases	3 4	n/a	SEK 0.10/CUM for phytosanitary control, minimum SEK 20 per shipment
4416	Casks, barrels	0	n/a	SEK 0.10/CUM for phytosanitary control, minimum SEK 20 per shipment
4417	Tools	0	n/a	
4418	Builders' joinery	0 3	n/a	
4419	Household utensils	0	n/a	
4420	Dec. wooden utensils	0 4	n/a	

4421	Other wood products	0 4	n/a	
9406	Prefabricated houses of wood	2.7	n/a	

PSDs, Trade Matrices and Price Tables

PSD Table						
Country	Sweden					
Commodity	Softwood Logs				1000 CUBIC METERS	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Production	30000	30200	30000	30000	0	30000
Imports	7500	11236	7500	9000	0	9000
TOTAL SUPPLY	37500	41436	37500	39000	0	39000
Exports	1500	1699	1500	2000	0	2000
Domestic Consumption	36000	39737	36000	37000	0	37000
TOTAL DISTRIBUTION	37500	41436	37500	39000	0	39000

Export Trade Matrix			
Country	Sweden		
Commodity	Softwood Logs		
Time period	CY	Units:	1,000 CUM
Exports for:	2000		2001
U.S.	0	U.S.	0
Others		Others	
Norway	1311	Norway	1412
Egypt	17	Denmark	86
Denmark	14	Finland	61
United Kingdom	14	Austria	54
Germany	6	United Kingdom	22
Total for Others	1362		1635
Others not Listed	35		64

Grand Total	1397		1699

Import Trade Matrix			
Country	Sweden		
Commodity	Softwood Logs		
Time period	CY	Units:	1,000 CUM
Imports for:	2000		2001
U.S.	0	U.S.	0
Others		Others	
Russia	2284	Latvia	4163
Latvia	2006	Russia	2487
Estonia	1287	Estonia	1687
Norway	528	Finland	698
Denmark	297	Norway	627
Finland	260	Germany	563
Lithuania	253	Lithuania	532
Germany	204	Denmark	175
Total for Others	7119		10932
Others not Listed	30		304
Grand Total	7149		11236

Prices Table			
Country	Sweden		
Commodity	Softwood Logs		
Prices in	SEK	per cum	
Year	2000	2001	% Change
Average for year	398	439	10
Exchange Rate	10.33	Local currency/US $	

PSD Table						
Country	Sweden					
Commodity	Softwood Lumber				1000 CUBIC METERS	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Production	15000	15606	15000	16000	0	16300
Imports	200	142	200	150	0	150
TOTAL SUPPLY	15200	15748	15200	16150	0	16450
Exports	11200	10941	11200	11300	0	11600
Domestic Consumption	4000	4807	4000	4850	0	4850
TOTAL DISTRIBUTION	15200	15748	15200	16150	0	16450

Export Trade Matrix			
Country	Sweden		
Commodity	Softwood Lumber		
Time period	CY	Units:	1,000 CUM
Exports for:	2000		2001
U.S.	175	U.S.	308
Others		Others	
United Kingdom	2476	United Kingdom	2634
Denmark	1329	Denmark	1239
Germany	1099	Germany	938
Netherlands	973	Norway	814
Norway	894	Japan	659
Egypt	691	Spain	587
Spain	662	Egypt	533
Japan	650	France	477
France	502	Italy	268
Italy	269		
Total for Others	9545		8149
Others not Listed	1468		2484

Grand Total	11188		10941

Import Trade Matrix			
Country	Sweden		
Commodity	Softwood Lumber		
Time period	CY	Units:	1,000 CUM
Imports for:	2000		2001
U.S.	0	U.S.	0
Others		Others	
Norway	73	Norway	67
Estonia	23	Finland	28
Finland	22	Latvia	16
		Estonia	13
		Russia	9
Total for Others	118		133
Others not Listed	63		9
Grand Total	181		142

Prices Table			
Country	Sweden		
Commodity	Softwood Lumber		
Prices in	SEK	per cum	
Year	2000	2001	% Change
Average for year	1622	1726	6.41%
Exchange Rate	10.33	Local currency/US $	

PSD Table						
Country	Sweden					
Commodity	Hardwood Plywood				1000 CUBIC METERS	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Production	0	0	0	0	0	0
Imports	80	87	80	90	0	90
TOTAL SUPPLY	80	87	80	90	0	90
Exports	5	3	5	3	0	3
Domestic Consumption	75	84	75	87	0	87
TOTAL DISTRIBUTION	80	87	80	90	0	90

Export Trade Matrix			
Country	Sweden		
Commodity	Hardwood Plywood		
Time period	CY	Units:	1,000 CUM
Exports for:	2000		2001
U.S.	0	U.S.	0
Others		Others	
Germany	1		
Total for Others	1		0
Others not Listed	2		3
Grand Total	3		3

Import Trade Matrix			
Country	Sweden		
Commodity	Hardwood Plywood		
Time period	CY	Units:	1,000 CUM
Imports for:	2000		2001
U.S.	0	U.S.	0
Others		Others	
Russia	44	Russia	35
Finland	21	Finland	20
Latvia	9	Latvia	7
Estonia	7		
Denmark	2		
Total for Others	83		62
Others not Listed	2		25
Grand Total	85		87

Prices Table			
Country	Sweden		
Commodity	Hardwood Plywood		
Prices in	SEK	per cum	
Year	2000	2001	% Change
Average for year	8020	11236	40
Exchange Rate	10.33	Local currency/US $	

PSD Table						
Country	Sweden					
Commodity	Softwood Plywood				1000 CUBIC METERS	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2000		01/2003
Production	115	106	115	110	0	110
Imports	70	83	70	80	0	80
TOTAL SUPPLY	185	189	185	190	0	190
Exports	50	54	50	55	0	55
Domestic Consumption	135	135	135	135	0	135
TOTAL DISTRIBUTION	185	189	185	190	0	190

Export Trade Matrix			
Country	Sweden		
Commodity	Softwood Plywood		
Time period	CY	Units:	1,000 CUM
Exports for:	2000		2001
U.S.	0	U.S.	4
Others		Others	
Denmark	17	Denmark	16
Norway	9	United Kingdom	9
United Kingdom	7	Ireland	5
Netherlands	6	Germany	3
Ireland	5		
Germany	3		
Total for Others	47		33
Others not Listed	2		17
Grand Total	49		54

Import Trade Matrix			
Country	Sweden		
Commodity	Softwood Plywood		
Time period	CY	Units:	1,000 CUM
Imports for:	2000		2001
U.S.	0	U.S.	0
Others		Others	
Finland	57	Finland	52
Poland	6	Poland	8
Brazil	6	Brazil	5
Latvia	4	Denmark	4
Denmark	3		
Estonia	3		
Total for Others	79		69
Others not Listed	5		14
Grand Total	84		83

Prices Table			
Country	Sweden		
Commodity	Softwood Plywood		
Prices in	SEK	per cum	
Year	2000	2001	% Change
Average for year	3110	4469	44
Exchange Rate	10.33	Local currency/US $	

PSD Table						
Country	Sweden					
Commodity	Softwood Veneer				1000 CUBIC METERS	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Production	0	0	0	0	0	0
Imports	25	24	25	25	0	25
TOTAL SUPPLY	25	24	25	25	0	25
Exports	15	5	15	5	0	5
Domestic Consumption	10	19	10	20	0	20
TOTAL DISTRIBUTION	25	24	25	25	0	25

Export Trade Matrix			
Country	Sweden		
Commodity	Softwood Veneer		
Time period	CY	Units:	1,000 CUM
Exports for:	2000		2001
U.S.	0	U.S.	0
Others		Others	
Poland	2	Poland	1
Total for Others	2		1
Others not Listed	5		4
Grand Total	7		5

Import Trade Matrix			
Country	Sweden		
Commodity	Softwood Veneer		
Time period	CY	Units:	1,000 CUM
Imports for:	2000		2001
U.S.	0	U.S.	
Others		Others	
Finland	24	Finland	5
Total for Others	24		5
Others not Listed	1		19
Grand Total	25		24

Prices Table			
Country	Sweden		
Commodity	Softwood Veneer		
Prices in	SEK	per cum	
Year	2000	2001	% Change
Average for year	1164	1459	25
Exchange Rate	10.33	Local currency/US $	